SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

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2003 Annual Report

Creating economic wealth and diversification through investment

of immigrant investor capital in Saskatchewan

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MANDATE

The Saskatchewan Government Growth Fund Management Corporation was established in 1989 under Order-In-Council to create and manage investment funds that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program.

VISION

Saskatchewan Government Growth Fund Management Corporation envisions the creation of economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

MISSION

The mission of Saskatchewan Government Growth Fund Management Corporation is to participate in the Federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

104-04909/

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 4, 2004

Honourable Eric Cline
Minister Responsible

To Her Honour
The Honourable L.M. Haverstock
Lieutenant Governor of the
Province of Saskatchewan

Madam:
I have the honour to submit herewith the Annual Report of Saskatchewan Government Growth Fund Management Corporation for the year ended December 31, 2003, including the consolidated financial statements duly certified in the form approved by the Treasury Board, all in accordance with **The Crown Corporations Act, 1993**.

I have the honour to be,
Your obedient servant,

Honourable Eric Cline
Minister Responsible
Saskatchewan Government Growth Fund Management Corporation

MESSAGE FROM THE CHAIR

I am pleased to report on the activities of the Saskatchewan Government Growth Fund Management Corporation (SGGF MC) during 2003, my first year in serving as Chair of the corporation.

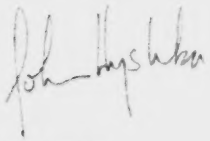
The role of the Board of Directors is to provide stewardship and oversight on behalf of the shareholder, the Government of Saskatchewan, and to provide the corporation with broad strategic direction. SGGF MC is no longer creating new funds, and therefore, withdrew from the immigrant investor program in 1999. The strategic direction of the corporation in 2004 and the future will focus on effectively managing the existing funds until their eventual termination.

Although the strategic direction of the corporation has changed from expansion to maintenance, the core objective as stated in the corporate mission, that of creating wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor, remains unchanged.

During 2003, SGGF MC made an important step towards improving communications with its stakeholders by launching its web-site www.sggfmc.com. The purpose of the web-site is to provide increased accessibility of information to SGGF MC stakeholders, resulting in enhanced transparency and accountability for SGGF MC and the Fund companies.

Since its creation in 1989 SGGF MC has opened eight separate fund companies, which are managed by Crown Capital Partners Inc. These companies have raised over $273 million from investors wanting to immigrate to Canada. This is a significant portion of the funds available for venture capital in the province. A positive spin off of the program has been the creation of a vibrant Saskatchewan venture capital industry that will remain in place even after the wind up of SGGF MC's immigrant investor program.

I wish to thank the management of SGGF MC, its Board of Directors, and also the management and Board of the Fund companies for their dedication during the past year. In particular, I wish to thank Ms. Joanne Forer who will be leaving both the SGGF MC Board where she has served since 2001 and the Board of the SGGF Fund Companies where she served since 1992.



John Hyshka
Chair, Board of Directors
Saskatchewan Government Growth Fund Management Corporation

CORPORATE OVERVIEW

The Federal Immigrant Investor Program (IIP) was created to promote, encourage, and facilitate the immigration to Canada of persons from abroad who will make a positive contribution to Canada's economic development by applying their risk capital to Canadian ventures which create jobs for Canadians.

Under the investor category of the program, investors are defined as persons who have successfully operated, controlled, or directed a business or commercial undertaking and who have, from their own endeavors, accumulated a net worth of at least $500,000. The investor category is designed for successful business persons who wish to immigrate to Canada and invest in a Canadian enterprise but do not wish to participate in its management.

The guidelines of the IIP require investors to make an investment of $250,000 in a government-administered venture capital fund accepted by both the Federal and provincial governments. Neither the Federal government nor the provincial government provides any guarantee on the return of the principle to the investors. Saskatchewan participated in the program to avail itself of this source of investor capital to support employment creation in the province. In 1999, the province withdrew from the program.

Saskatchewan Government Growth Fund Management Corporation (SGGF MC) was established to create and manage the funds set up under the terms of the IIP as government-administered venture capital funds. SGGF MC administers to eight subsidiary fund companies. Each fund is incorporated under The Business Corporations Act.

SGGF MC holds all voting shares for the fund companies and has appointed the directors of each fund company board. SGGF MC delegates all decisions and matters related to the investment activities of the subsidiary fund companies to the boards of directors of each of the funds.

SGGF MC ensures that administrative and investment management services are provided to each of the fund companies through a long-term management agreement with Crown Capital Partners Inc. These services include fund marketing, investor relations and communication services related to the Immigrant Investor Program, as well as investment, accounting, and management of the investment portfolios on behalf of the fund companies.

GOVERNANCE STRUCTURE

As a CIC designated corporation, SGGF MC comes under the purview of the CIC governance structure and its financial statements are included in the CIC consolidated annual statements.

SGGF MC is sole shareholder of the eight Fund Companies established under **The Business Corporations Act**. As shareholder, SGGF MC has the authority to:

- appoint directors to the Boards of each of the Fund Companies;
- appoint an auditor for the Fund Companies;
- enter into management services contracts for services required by the Fund Companies; and,
- provide the Fund Companies with technical, accounting, legal, or other services required.

Role of the Board

The SGGF MC Board of Directors is responsible for the stewardship of the Corporation. In order to carry out this responsibility, the Board approves the Corporation's overall strategic plan, operating budget and performance indicators.

The SGGF MC Board also sets broad performance indicators for the Fund Companies and monitors their results. However, with respect to investment of immigrant monies, the Board maintains an arms length relationship with the Fund Companies who have independent Boards responsible for their investment decisions.

Board Composition

The SGGF MC Board is composed of four individuals, two from outside government including the Board chair and two senior civil servants. All are independent of corporate management and of those providing management services to the Fund Companies. One independent director also serves as chair of the Fund Companies Boards thus providing an important link between the Boards of Fund Companies and the SGGF MC Board.

Board Orientation and Director Development

Upon appointment, new Board members receive an orientation overview delivered by management. In addition, CIC delivers ongoing education for Directors to assist them in the performance of their duties.

Accountability and Board Performance

The SGGF MC Board has reviewed its governance practices against the TSX Corporate Governance Guidelines. These guidelines address the key areas or responsibility for effective corporate governance. Please refer to the following page for a detailed evaluation of these guidelines against SGGF MC governance practices.

Strategic Management Team

The strategic management team of SGGF MC consists of employees of the parent company, Crown Investments Corporation. Currently, the team consists of three members: President, Chief Financial Officer, and Controller. This management team works with Crown Capital Partners Inc., the investment services corporation, to carry out the strategic direction set by the SGGF MC Board of Directors. All responsibilities associated with the hiring, evaluation, and administration of the SGGF MC management team are carried out by the Board of Directors in consultation with Crown Investments Corporation.

GOVERNANCE STRUCTURE (continued)

TSX Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically for:	
(a) The adoption of a strategic planning process.	The Board of Directors has a formal mandate with responsibility to function as stewards of the Corporation. One of the Board's primary functions is to provide leadership in determining the Corporation's long-range strategic direction and to approve the Corporation's overall strategic plan and performance management plan. As part of its planning process, the SGGF MC Board reviews and approves the strategic plan on an annual basis. Financial goals, policy objectives, operating budgets, and business plans of SGGF Fund Companies are important considerations in setting both short term targets and long term strategic direction. **Consistent With TSX Guidelines: YES**
(b) The identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks.	The Board identifies the principal risks of the Corporation on an annual basis. Risks are monitored through reporting activities of SGGF MC management and communication with SGGF Fund Company Boards. **Consistent With TSX Guidelines: YES**
(c) Succession planning, including appointing, training, and monitoring senior management.	SGGF MC does not have paid senior management. Senior management is provided by CIC free of charge. CIC has committed to provide executive staff from its Corporate Services and Finance Divisions. **Consistent With TSX Guidelines: PARTIALLY**
(d) A communications policy for the Corporation.	As a CIC Crown corporation, SGGF MC follows the communications guidelines of the commercial Crown corporation sector. In 2003, SGGF MC launched its web-site, sggfmc.com, to facilitate communication with stakeholders. **Consistent With TSX Guidelines: YES**
(e) The integrity of the Corporation's internal control and management information systems.	The Provincial Auditor of Saskatchewan issues an opinion on SGGF MC's system of internal controls. External auditors and the Provincial Auditor are also provided with an in camera session with the Board of Directors to discuss internal control for financial reporting issues. **Consistent With TSX Guidelines: YES**
2. (a) The Board should be constituted with a majority of individuals who quality as "unrelated" directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interest and relationships arising from	There are four individuals on the SGGF MC Board of Directors. John Hyshka (Chair), Larry Spannier (Vice-Chair), Ron Styles, and Joanne Forer. None of the Directors are related to the operations of SGGF MC. **Consistent With TSX Guidelines: YES**

GOVERNANCE STRUCTURE (continued)

TSX Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
(b) The Board should disclose if the Corporation has a "significant shareholder" and how the Board reflects the interests of the shareholders other than the significant shareholder.	SGGF MC is a statutory Crown corporation and does not have any share capital. **Consistent With TSX Guidelines: YES**
3. The Board is required to disclose on an annual basis the analysis of the application principles supporting the conclusion of whether the director is related or an unrelated director.	John Hyshka, Chair: UNRELATED Chief Financial Officer, Phenomenome Discoveries Inc. Larry Spannier, Vice-Chair: RELATED Deputy Minister of Industry & Resources Ron Styles: RELATED Deputy Minister of Finance Joanne Forer: UNRELATED Business person Two of the four directors are external and unrelated to management. None of the unrelated directors have received remuneration from the Corporation in excess of fees and compensation as directors of the Corporation and subsidiaries, nor have they engaged in material contracts to perform other services for the Corporation. Two of the directors are deemed to be related as employees of the Government of Saskatchewan. **Consistent With TSX Guidelines: PARTIALLY**
4. The Board should appoint a committee of directors composed exclusively of outside (i.e., non-management) directors, a majority of whom are unrelated, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	The Board acts as a nomination committee for proposing new members to CIC and Executive Council. All Directors are unrelated to the operations of SGGF MC. **Consistent With TSX Guidelines: YES**
5. The Board should implement a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	The SGGF MC Board has a process for assessing its effectiveness, which is consistent with CIC's guidelines. **Consistent With TSX Guidelines: YES**
6. The Board should provide an orientation and education program for new directors.	New Board members are provided with extensive orientation materials and a training program facilitated by CIC. **Consistent With TSX Guidelines: YES**
7. The Board should examine its size with a view to facilitate more effective decision-making.	The Board can examine its size and recommend changes to CIC. **Consistent With TSX Guidelines: PARTIALLY**
8. The Board should review the adequacy and form of the compensation of directors to ensure the responsibilities and risks involved in being an effective director are reflected.	Compensation for Directors is set up by CIC, the parent company. **Consistent With TSX Guidelines: PARTIALLY**

GOVERNANCE STRUCTURE (continued)

TSX Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
9. Board committees should generally be composed of outside (i.e., non-management) directors, a majority of whom are unrelated.	SGGF MC Board of Directors does not have any members who are part of management. **Consistent With TSX Guidelines: YES**
10. The Board should appoint a committee responsible for developing the Corporation's approach to governance issues and these guidelines.	SGGF MC Board of Directors is responsible for developing the Corporation's approach to governance issues and reviewing effectiveness of guidelines and processes. **Consistent With TSX Guidelines: YES**
11. (a) The Board should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities.	The Board of Directors has agreed to Terms of Reference which outline the responsibilities for the Board and Management. The Board of Directors has approved policies for the execution of documents and expenditure authorities for the CEO and Senior Management. These policies outline the limits to Senior Management's authorities and the levels for which matters must receive Board of Directors approval. **Consistent With TSX Guidelines: YES**
(b) The Board should develop the corporate objectives which the CEO is responsible for meeting.	On an annual basis the Board of Directors provides the President with a mandate itemizing its expectations with respect to the Corporate objectives which will be met over the following year. **Consistent With TSX Guidelines: YES**
12. The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management.	The independence of the Board is ensured through the coordination of Board matters by the Chair, who is an outside and unrelated director. At each meeting of the Board of Directors, an in-camera session is held where the President, as well as senior management staff, is excused. **Consistent With TSX Guidelines: YES**
13. The audit committee of the Board should be composed only of outside directors and its roles and responsibilities should be specifically defined.	Functions typically performed by an Audit and Finance Committee are carried out by SGGF MC Board, of whom two members are outside directors. **Consistent With TSX Guidelines: PARTIALLY**
14. The Board should implement a system which enables individual directors to engage outside advisers at the expense of the Corporation in appropriate circumstances.	The Board may obtain the advice and counsel of external advisors if, in the opinion of the Board, it is necessary in order to properly discharge their function, duties and responsibilities that such advisor be engaged. **Consistent With TSX Guidelines: YES**

STRATEGIC PERFORMANCE REPORTING

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for Saskatchewan's commercial Crown corporations. For governance purposes, SGGF MC is designated as a CIC Crown Corporation, which was established to create and manage investment funds that have been accepted as government administered venture capital funds under the Federal government's IIP.

Under the program, eight subsidiary funds have been created. The funds were marketed to eligible and qualified foreign investors who in return for their investment subscription to a fund received Canadian citizenship under relaxed immigration criteria. The funds make the investment capital raised from these immigrant investors available to small and medium-sized businesses and infrastructure projects in Saskatchewan to support economic growth and diversification.

On an annual basis, CIC develops its Crown Sector Strategic Plan which provides a guiding vision for the Crown sector. The Crown Sector Strategic Plan's main objective is to clearly articulate shareholder expectations and provide long-term direction to facilitate planning and corporate strategies in subsidiary Crown corporations that are consistent with shareholder direction. The plan includes a guiding vision statement for the Crown sector, its primary business purposes, common business values, and strategic business objectives.

SGGF MC supports these strategic objectives and has developed specific objectives, measures, and targets that are aligned with these expectations. The investment activities carried out through the SGGF Funds contribute and support following strategic directions:

- to advance the social and economic policies of the people of Saskatchewan with a specific objective to contribute to economic diversification and growth through the supply of immigrant investor capital to Saskatchewan business; and,
- to operate effectively and efficiently to provide an appropriate return to the people of Saskatchewan as a result of this investment activity.

FINANCIAL PERSPECTIVE

Strategy - a planned, orderly, profitable exit and wind-up strategy for each Fund to maximize profits to be paid to the General Revenue Fund in a timely manner.

Objectives	Measures	2003 target	2003 actual	2004-07 target	Discussion
Return cash surplus to the General Revenue Fund (GRF)	Annual cash surplus declared as dividend to SGGF MC from the funds.	$1.0M	$0M	$7.2M	Annual cash surplus declared as dividend to SGGF MC from the funds. Dividend projections are based on cash flow projections from the fund companies. During the year, SGGF MC received no surplus cash from the funds.

STRATEGIC PERFORMANCE REPORTING (continued)

SGGF MC strategic objectives, measures, and targets are approved annually as SGGF MC's Balanced Scorecard. The Crown Sector Strategic Plan and Balanced Scorecard together form an integrated short-and-long term strategic performance management system. SGGF MC measures its performance against the following key objectives using this system.

Significant Corporate Issues and Objectives for 2004

SGGF fund companies provide an important source of venture capital financing in Saskatchewan to assist in economic development in the Province. As more funds reach maturity, increasing focus will be placed on extracting the most value from its remaining investments in order to maximize payments to its investors. The Board of Directors of SGGF MC and its fund companies must carefully balance the objective to promote economic development, while make commercially sound investments, with the desire to meet investor note obligations as they mature.

In addition, the receipt of investor capital subscriptions for the three newest funds, SGGF VI, SGGF VII, and SGGF VIII, have been closed for deposits. The focus of these funds will be prudent investing to maximize shareholder returns.

PUBLIC POLICY PERSPECTIVE

Strategy - to advance provincial economic growth and development.

Objectives	Measures	2003 target	2003 actual	2004-07 target	Discussion
Supply of foreign capital to support provincial economic growth.	Active capital participation in provincial SME's	$27M	$23.1M	$2M[1]	The active capital is expected to diminish over time as the earlier funds mature and no new funds are created.
Economic Impact[2]	Year over year employment growth in Investees	>1.2%	1.8%	N/A	SGGF Funds have withdrawn from the market as providers of new capital.
	Year over year revenue growth in Investees	>2%	62.1%	N/A	

[1] Represents the average active capital forecast for each year. The amount diminishes over the planning period due to SGGF MC exiting the program.

[2] SGGF Management Corporation is currently developing a new measure to reflect the impact of the funds' investments during the life of the program.

MANAGEMENT DISCUSSION AND ANALYSIS

The mission of SGGF MC is to participate in the Federal government's IIP for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms. Investment of this capital creates economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

The ability of SGGF MC to raise additional funds under the IIP ended on March 31, 1999, when a new Federal program was launched and SGGF MC declined to participate. The capital currently under management and from the three funds launched in 1999 will require administration for at least the next six years.

SGGF MC manages eight government-administered venture capital funds under the old IIP, specifically:

Saskatchewan Government Growth Fund Ltd. (SGGF I);
Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

Since 1989, SGGF MC has raised, through its Fund Companies, more than $273 million of immigrant investor capital for investment in Saskatchewan small- and medium-sized enterprises. To the end of 2003, over $267 million of this capital has been invested in 71 eligible businesses and infrastructure projects.

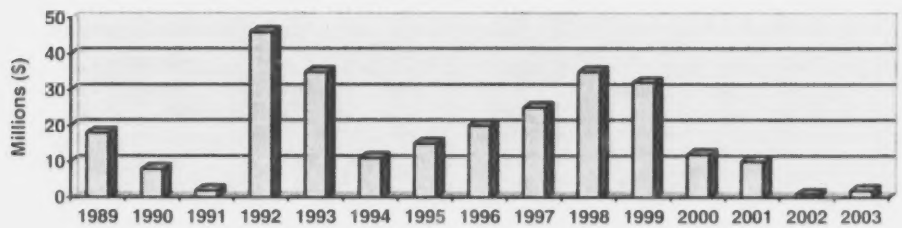
Substantially all of the administration and investment advisory services for the Fund Companies are contracted out to a fund manager. Each Fund Company is managed as a distinct entity and the fund manager is paid a monthly fee for its services. The manager will also receive a share of the net profits, if any, of a Fund after all liabilities, including investor obligations, of the Fund have been paid.

SGGF I's results have been consolidated with those of SGGF MC in these financial statements since all of SGGF I's investors have been redeemed and SGGF MC is now able to share in the risks and rewards of ownership of SGGF I.

SGGF MC consolidated 2003 earnings of $0.4 million improved significantly over 2002 results ($0.4 million net loss). A $0.3 million gain on sale of an investment held in SGGF Ltd. combined with a lower provision for investment losses ($0.3 million lower) were the primary factors in the 2003 earnings.

The operating revenues of SGGF MC are based on its expenditure levels as ongoing management expenses are charged to the Fund Companies at a modest mark-up. Management fee revenue of $3.0 million in 2003 is up from the $2.9 million earned in 2002, due to an increase in the mark-up of management fees effective October 2002. As SGGF Fund Companies begin to wind down operations and management expenses are reduced, SGGF MC will see revenue reductions in future reporting periods.

Investment Capital Raised



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Fund Company Highlights

SGGF I: Since the last of its investors were redeemed in 1998, the focus of the Fund has been on liquidating its investments when opportunities arise.

SGGF II: Repayment of obligations to investors who have not been repaid in full continued to be suspended throughout 2003. It is unlikely that the proceeds from the remaining investments will be sufficient to repay the remaining obligation in full.

SGGF III: The priority of SGGF III continues to be the liquidation of its portfolio to provide investor requirements. During 2003, the Fund incurred a loss of $424 thousand resulting in an accumulated deficit of $5.9 million. As a result of investment losses in the current and prior years, it is unlikely that SGGF III will be able to pay the full amount of the note obligations to investors. Payment of matured notes has been set at $160 thousand based on cash flow projections of the Fund.

SGGF IV: The priority of SGGF IV continues to be the management of its investments to achieve the best liquidation proceeds possible. During 2003 SGGF IV incurred a loss of $535 thousand resulting in an accumulated deficit of $63 thousand. 2003 losses incurred were a direct result of provisions recorded on several businesses which encountered financial difficulty. The Fund management currently expects the deficit to be recovered by gains on other investments.

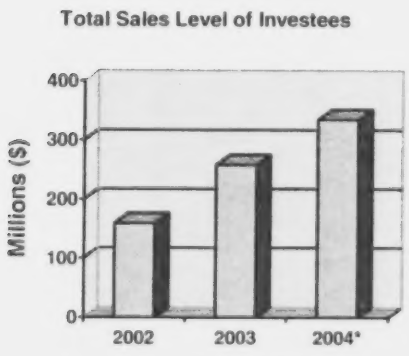
SGGF V: SGGF V continues to manage its investments with the goal of maximizing returns to the Fund, generating sufficient cash to satisfy payments of Notes scheduled to commence in 2004. SGGF V incurred losses of $1.2 million bringing the accumulated deficit of the Fund to $1.3 million. Given the accumulated deficit, it is unlikely that the Fund will be able to fully repay its investors.

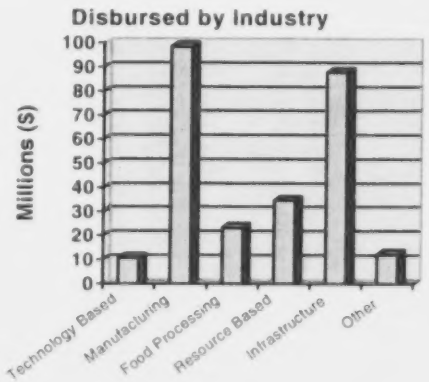
SGGF VI: During 2003 SGGF VI completed investing investor subscriptions in eligible businesses. The Fund advised subscribers in October that final subscriptions payments were due. As a result, the Fund has now been closed to deposits.

The Fund incurred losses of $615 thousand in 2003 bringing the total accumulated deficit to $1.1 million. The Fund will continue to explore opportunities to improve returns over the period leading up to the maturity of investor notes.

SGGF VII: During 2003 SGGF VII completed investing investor subscriptions in eligible businesses. The Fund advised subscribers in October that final subscriptions payments were due. As a result, the Fund has now been closed to deposits.

The Fund incurred losses of $728 thousand in 2003 bringing the total accumulated deficit to $1.4 million.





MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Fund Company Highlights (continued)

SGGF VIII: During 2003 SGGF VIII completed investing investor subscriptions in eligible businesses. The Fund advised subscribers in October that final subscriptions payments were due. As a result, the Fund has now been closed to deposits.

The Fund incurred losses of $834 thousand in 2003 bringing the total accumulated deficit to $1.1 million.

Outlook for 2004

SGGF I will continue to work towards liquidation of its remaining investments at values in excess of cost. The priority for SGGF II and SGGF III will be liquidation of its remaining investments for as great a value as possible in order to maximize payments to remaining investors. SGGF IV and SGGF V have changed their focus to divestment of their portfolios in order to provide the cash for continued investor repayments.

The newest Funds, SGGF VI, SGGF VII and SGGF VIII, will be focused on attracting full subscription amounts from the remaining depositors and continued investment management of the portfolios.

Summary of Financial Position

As at December 31, 2003

	Cash and Cash Equivalents	Investments	Other Assets	Total Assets	Liabilities	Fund Balance
SGGF I	1,748,564	427,057	1,043,321	3,218,942	375,847	2,843,095
SGGF II	17,923	1,444,431	–	1,462,354	10,941,627	(9,479,273)
SGGF III	942,341	3,853,920	2,867	4,799,128	10,665,158	(5,866,030)
SGGF IV	1,577,615	17,421,758	324,528	19,323,901	19,386,350	(62,449)
SGGF V	1,806,135	24,038,035	823,966	26,668,136	27,946,856	(1,278,720)
SGGF VI	1,311,651	19,478,367	1,084,003	21,874,021	22,988,834	(1,114,813)
SGGF VII	1,171,718	17,992,073	1,081,124	20,244,915	21,670,006	(1,425,091)
SGGF VIII	2,040,242	12,956,224	919,591	15,916,057	17,015,685	(1,099,628)
Total	10,616,189	97,611,865	5,279,400	113,507,454	130,990,363	(17,482,909)

Summary of Results of Operations

For the Year Ending December 31, 2003

	Revenues	Administrative Expenses	Financial Expenses	Total Expenses	Income from Operations	Provision for Investment Losses	Net Earnings/(Loss)
SGGF I	424,630	25,883	–	25,883	398,747	356,883	41,864
SGGF II	21,389	(544,934)	295,836	(249,098)	270,487	911,123	(640,636)
SGGF III	177,929	223,305	242,892	466,197	(288,268)	135,630	(423,898)
SGGF IV	1,883,835	165,734	751,781	917,515	966,320	1,501,630	(535,310)
SGGF V	1,996,495	332,829	875,274	1,208,103	788,392	1,977,723	(1,189,331)
SGGF VI	1,247,510	444,300	765,471	1,209,771	37,739	652,880	(615,141)
SGGF VII	1,200,361	428,194	819,030	1,247,224	(46,863)	681,119	(727,982)
SGGF VIII	783,227	318,788	556,671	875,459	(92,232)	742,113	(834,345)
Total	7,735,376	1,394,099	4,306,955	5,701,054	2,034,322	6,959,101	(4,924,779)

RESPONSIBILITY FOR FINANCIAL STATEMENTS

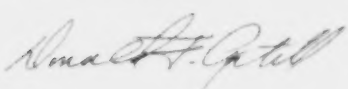
The accompanying Consolidated Financial Statements have been prepared by management of Saskatchewan Government Growth Fund Management Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements, meeting with management, the Corporation's external auditors Deloitte & Touche LLP, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Deloitte & Touche LLP has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

On behalf of management,



Don Axtell
President

John Amundson, CA
Chief Financial Officer

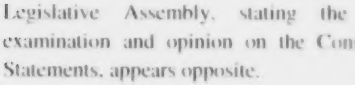
AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the consolidated statement of financial position of Saskatchewan Government Growth Fund Management Corporation as at December 31, 2003 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Deloitte & Touche LLP
Chartered Accountants

Regina, Saskatchewan
February 10, 2004

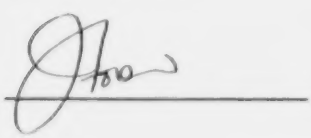
FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Financial Position
As at December 31

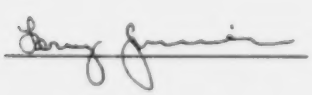
	2003	2002
Assets		
Cash	$ 729,093	$ 1,654,682
Funds in trust (Note 3)	1,200,000	–
Accounts receivable	79,775	131,911
Note receivable (Note 4)	1,035,000	1,035,000
Investments (Note 5)	427,057	1,350,424
Investments in fund companies (Note 6)	8,000	8,000
Capital assets (Note 7)	1,727	3,813
	$ 3,480,652	$ 4,183,830
Liabilities		
Accounts payable and accrued liabilities (Note 8)	$ 154,396	$ 426,591
Commissions payable	58,050	58,050
Dividend payable to General Revenue Fund	–	800,000
	212,446	1,284,641
Province of Saskatchewan's Equity		
Equity advances (Note 9)	1,031	1,031
Retained earnings	3,267,175	2,898,158
	3,268,206	2,899,189
	$ 3,480,652	$ 4,183,830

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



Director



Director

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Operations and Retained Earnings
For the Year Ended December 31

	2003	2002
Revenues		
Management fees (Note 13)	$ 2,979,924	$ 2,885,141
Gain on sale of investment	276,633	–
Investment income	30,515	274,478
Interest and other income	331,191	198,207
	3,618,263	3,357,826
Expenses		
Fund manager fees	2,203,572	2,460,328
Legal fees and professional fees	576,331	504,844
Directors' fees and expenses	104,332	162,747
General administration	6,042	3,225
Amortization of capital assets	2,086	2,085
	2,892,363	3,133,229
Income before investment losses	725,900	224,597
Provision for investment losses	(356,883)	(633,522)
Allowance for unrealized losses	–	1,643
Net earnings (loss)	369,017	(407,282)
Retained earnings, beginning of year	2,898,158	4,105,440
Dividend to General Revenue Fund	–	(800,000)
Retained earnings, end of year	$ 3,267,175	$ 2,898,158

See accompanying notes to the consolidated financial statements.

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation
Consolidated Statement of Cash Flows
For the Year Ended December 31

	2003	2002
Operating activities		
Net earnings (loss)	$ 369,017	$ (407,282)
Items not affecting cash from operations:		
Amortization of capital assets	2,086	2,085
Provision for investment losses	356,883	633,522
Allowance for unrealized losses	–	(1,643)
Gain on sale of investment	(276,633)	–
Net change in non-cash balances related to operations (Note 12)	(220,059)	243,562
Cash provided by operating activities	231,294	470,244
Investing activities		
Sales of portfolio investments	1,501,139	–
Disbursements on investments	(658,022)	(433,522)
Increase to funds in trust	(1,200,000)	–
Proceeds from collection of note receivable	–	965,000
Cash (used in) provided by investing activities	(356,883)	531,478
Financing activities		
Dividend to the General Revenue Fund	(800,000)	–
Cash used in financing activities	(800,000)	–
Net (decrease) increase in cash during year	(925,589)	1,001,722
Cash position, beginning of year	1,654,682	652,960
Cash position, end of year	$ 729,093	$ 1,654,682
Interest paid during the year	$ –	$ –

See accompanying notes to the consolidated financial statements.

1. Status of the Corporation

Saskatchewan Government Growth Fund Management Corporation (SGGF Management Corporation) has been established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program (IIP). Order-in-Council #660/1998 establishes that the provisions of The Crown Corporations Act, 1993 apply. Accordingly, the financial results of SGGF Management Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

These consolidated results include the investment activities of SGGF Management Corporation's subsidiary, Saskatchewan Government Growth Fund Ltd. (SGGF I).

SGGF Management Corporation is a Saskatchewan Crown corporation and therefore is not subject to Federal and Provincial income taxes.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Retained Earnings in the period in which they become known.

Consolidation

The consolidated financial statements include the accounts of SGGF Management Corporation and its subsidiary, SGGF I. All intercompany transactions and balances have been eliminated. See Note 11 for additional information.

Investments

Investments include debt investments in private companies, and equity investments in private and public companies. Income from debt investments is recognized as earned and income from equity investments is recognized when received.

Debt investments are carried at cost, net of provisions for credit losses.

Provisions for credit losses are established on impaired debt instruments (loans). A loan is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired include the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income

2. Summary of significant accounting policies (continued)

ceases. A provision for specific credit losses is established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improves, a provision is reduced or reversed.

Investments in publicly traded equities are carried at the lower of cost and market where market is determined as the average closing market price over the last 20 trading days prior to the financial statement date, with adjustment to reflect lack of market liquidity.

Investments in equities in private companies are carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. Investments that are evaluated as possibly being subject to a loss in value are assessed periodically based on appropriate criteria, including past operating results of the investee and arm's length parties, and liquidity or going concern problems of the investee.

When a decline in the value of an equity investment in a private company is no longer considered to be temporary, the investment is written down and carried at the written down value until disposal of the equity investment.

Investments in fund companies

As at December 31, SGGF Management Corporation owns 100% of the Class A common shares of seven companies, collectively known as "the funds":

Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

SGGF Management Corporation does not guarantee the performance of the funds nor does it share in the risks of ownership until all investor obligations have been satisfied. Investments in the funds are recorded at cost. Readers should refer to the audited financial statements of the funds for further information on their financial position and operating results.

Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Capital assets are amortized over their estimated useful lives on a straight-line basis.

3. Funds in trust

During the year, proceeds realized from the divestiture of an investment were placed in trust by SGGF I pending the outcome of a lawsuit against SGGF I on this investment. SGGF I believes that the claims are without merit and will vigorously contest the lawsuit.

4. Note receivable

Included in note receivable is a $1,035,000 (2002 - $1,035,000) note from Saskatchewan Government Growth Fund II Ltd. (SGGF II) payable on demand and bearing an interest rate of 10% per annum.

5. Investments

	2003	2002
Debt	$ 320,000	$ 3,332,930
Equity	364,054	407,421
Provision for investment losses	(256,997)	(2,389,927)
	$ 427,057	$ 1,350,424

Included in investments is $352,429 (2002 - $3,588,362) of impaired investments, net of accumulated provision for losses of $256,997 (2002 - $2,389,927), upon which income is not accrued. During the year $2,289,813 (2002 - $48,146) of investments and costs have been written off.

Equity investments include publicly trades shares at a cost of $108,622 (2002 - $108,622), with an aggregate market value of $41,873 (2002 - $67,515).

During the year investments decreased as follows:

	2003	2002
Balance, beginning of year	$ 1,350,424	$ 1,548,781
New investments	658,022	381,076
Repayments	(1,224,506)	(254,901)
Investments and costs written off	(2,489,813)	(48,146)
Net change in provision for investment losses	2,132,930	(278,029)
Net change in allowance for unrealized losses	–	1,643
Balance, end of year	$ 427,057	$ 1,350,424

6. Investments in fund companies

	2003	2002
Shares, at cost:		
SGGF II	$ 1,000	$ 1,000
SGGF III	2,000	2,000
SGGF IV	1,000	1,000
SGGF V	1,000	1,000
SGGF VI	1,000	1,000
SGGF VII	1,000	1,000
SGGF VIII	1,000	1,000
	$ 8,000	$ 8,000

7. Capital assets

	Rate	2003 Cost	2003 Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Furniture and office equipment	14.29%	$ 14,597	$ 12,870	$ 1,727	$ 3,813

8. Accounts payable and accrued liabilities

Included in accrued liabilities is a $100,000 (2002 - $100,000) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF I. It is payable to the fund manager only upon satisfaction of all liabilities of the fund.

9. Equity advances

SGGF Management Corporation does not have share capital. However, SGGF Management Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in SGGF Management Corporation by CIC.

10. Financial instruments

SGGF Management Corporation maintains a portfolio of investments in Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk, and liquidity risk.

Market Risk

Market risk faced by SGGF Management Corporation is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses invested in. Some of the companies are dependent upon a single product or industry. SGGF Management Corporation manages these risks through careful due diligence prior to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF Management Corporation restricts investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such companies to meet contractual obligations would be similarly affected by changing economic, political, or other conditions. SGGF Management Corporation conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its companies on an on-going basis. In addition, some companies operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SGGF Management Corporation's earnings will decline due to fluctuations in interest rates. SGGF Management Corporation manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its liabilities.

10. Financial instruments (continued)

Liquidity Risk

Liquidity risk is the risk that difficulty will be encountered in liquidating its investments at an amount close to fair value. There is no immediate need to liquidate the remaining investments. SGGF Management Corporation intends to hold these investments until it is able to liquidate them at an amount close to fair value.

Fair Value – Investments

Certain of SGGF Management Corporation's financial statements including cash, funds in trust, accounts receivable, note receivable, accounts payable and accrued liabilities, and commissions payable have carrying amounts that approximate fair value due to their short-term maturity.

SGGF Management Corporation has not attempted to determine the fair value of its other investments due to the costs associated with this type of evaluation.

11. Consolidation of SGGF I

The results of SGGF I have been consolidated and accounted for using the purchase method. Summarized financial statements of SGGF I are as follows:

	2003	2002
Statement of Financial Position		
Cash	$ 548,564	$ 624,536
Funds in trust	1,200,000	–
Investments	427,057	1,350,424
Other assets	1,043,321	1,043,790
	$ 3,218,942	$ 3,018,750
Liabilities	$ 375,847	$ 217,519
Equity	2,843,095	2,801,231
	$ 3,218,942	$ 3,018,750
Statement of Operations		
Revenues	$ 424,630	$ 467,786
Expenses	(25,883)	(53,890)
Investment losses	(356,883)	(631,879)
Net earnings (loss)	$ 41,864	$ (217,983)

12. Net change in non-cash balances related to operations

	2003	2002
Accounts receivable	$ 52,136	$ (2,376)
Accounts payable and accrued liabilities	(272,195)	245,938
	$ (220,059)	$ 243,562

13. Related party transactions

Included in these financial statements are transactions with the funds, various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SGGF Management Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

As stated in Note 4, SGGF Management Corporation holds a note receivable from SGGF II. Total interest received and receivable from SGGF II during the year was $103,500 (2002 - $176,825).

During the year the SGGF Management Corporation sold $1.2 million in assets to Investment Saskatchewan Inc. at book value.

Under the terms of ten year Management Agreements between SGGF Management Corporation and the funds, SGGF Management Corporation administers the assets of the funds. The Agreements expire in the following years:

SGGF II	2003
SGGF III and IV	2004
SGGF V	2008
SGGF VI, VII, and VIII	2009

SGGF Management Corporation is engaged to provide substantially all of the management services required by the funds. SGGF Management Corporation uses the assistance of various investment advisors and, beginning October 1, 2001, a fund manager to perform fund administration and due diligence, monitoring, and liquidation of investments. All services provided to the funds are charged on a fee for service basis. Total fees received or receivable from the funds during the year amounted to $2,979,924 (2002 - $2,885,141).

CIC provides management services to SGGF Management Corporation without charge.

Other transactions with related parties are disclosed separately in the financial statements and notes thereto.

14. Contingencies

SGGF I, together with other parties, is a defendant in several legal actions. SGGF I believes that the claims are without merit and will vigorously contest the lawsuits. No amounts have been provided for in these financial statements. It is not possible to predict the ultimate outcome of the outstanding litigation.

CORPORATE DATA

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www.sggfmc.com

Minister Responsible
Hon. Eric Cline

Board of Directors
Mr. John Hyshka, Chair
Mr. Larry Spannier, Vice-Chair
Mr. Ron Styles
Ms. Joanne Forer

Fund Companies
Saskatchewan Government Growth Fund Ltd.
Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
Saskatchewan Government Growth Fund VI Ltd.
Saskatchewan Government Growth Fund VII Ltd.
Saskatchewan Government Growth Fund VIII Ltd.

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